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University of Applied Sciences

International Business Management

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Sustainable Import of Raw Material for Ecological Food Production: Importing Raw
Material from Kenya to Finland

Bachelor's Thesis 2014

ABSTRACT

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Sustainable import of raw materials for ecological food production: Importing raw materials from Kenya to Finland.

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The subject of this thesis is about looking into the ecological market in Finland and trying to establish a business that deals with the importation of ecological raw materials for production of food. It also looks into the processes involved in the importation of these products and checks if it is a profitable business venture.

The main goal is to look into the actors involved and specifically while importing from Kenya, it also looks into the products available in the Kenyan market and determine if they meet the threshold of being termed as ecological products. The issue of sustainability in the production chain, the general business operation of the suppliers and how they work towards achieving sustainability while dealing with their products are major issues considered in this thesis. The relevant information was gathered from secondary sources.

The conclusion section discusses whether the business plan is viable and sustainable. It also discusses about available opportunities for trade between the Kenya and Finland. I manage to show that through a good business plan, trading in ecological products is profitable. The results also highlight the benefits for the two countries in terms of a wide range of products to trade in. I also manage to show that despite the countries being far away, if cost reduction methods are properly put in place such as route optimization, they could also be very beneficial to business profitability.

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1 INTRODUCTION

1.1 Research and Development Problem

The main goal of this research is to develop a sustainable and ethical business model to import raw materials for food production from Kenya to Finland. This research will look into possibilities of importing different Kenyan products that meet the export requirements and consumer demand in the Finnish market. The Finnish market is full of imported products from all over the world with a big amount being from Asia and Europe. Although, there are plenty of products imported from Africa, specifically from Kenya, majority of these products are mostly horticultural products such as flower bulbs, tea and coffee.

In this research, I will elaborate on steps involved while importing these products into the European Union and specifically to Finland. The regulatory challenges imposed by the Finnish government and the European Union while importing goods from developing nations will also be looked into. I am also interested in ways to position imported products competitively in the Finnish market and more broadly the whole European market.

I am interested in finding out whether it is profitable to import specific products into the Finnish market and whether the business model is sustainable in the short term, as well as the long term. If it is indeed sustainable in the short run, I also want to explore the possibility of expanding the product portfolio by importing other additional products into the Finnish market. The focus will be on the products that are relatively profitable in the Kenyan market. It might be safe to assume that they might also be profitable in other foreign markets after taking into consideration unique factors related to products, demand and pricing strategy in each market.

1.2 Research and Development Objectives

This research was commissioned by a private entrepreneur who was interested to find out about possibilities of importing agricultural raw materials from Kenya to Finland. The choice of preferences of products for the commissioner were spices, tea, coffee and dry nuts. The main interest of the commissioner in this research was also to find out about the steps involved in establishing an import business focused on importing

products from Kenya to Finland. Therefore, the major objective of this research is to come up with a complete import business model that is sustainable, ethical and profitable in the long run. The choice of product to be imported will be coffee beans. With the focus on the trade between Finland and Kenya, I am sure that the commissioner will find relevant information about the processes involved in importing and exporting as well as obtain information about different products traded.

The other objective of this research is to enable the commissioner to understand the supply chain partners involved in importing different products from the Kenyan market. Among the supply chain partners, it is my intention to point out different possible suppliers for coffee products in Kenya. I will highlight the possible products and brands that are good candidates for importing to Finland. By developing the process involved in importing certain products from Kenya to Finland, the objective of the research is to allow the commissioner to assess whether the business model is viable or not.

Major emphasis will be kept on highlighting the challenges of international trade between countries in the European Union and Africa more extensively, and specifically focusing on trade between Kenya and Finland. Different important parameters that are essential in finding out the viability of the business model will be highlighted, and ways suggested to overcome those challenges.

1.3 Research and Development Question

My broad research area is about importing products from Kenya to Finland. Based on the wishes of the commissioner, I am interested in suggesting profitable products for import, elaborate on steps involved in importing chosen products in Finland, various supply chain partners involved in the importing process and to suggest whether the import plan is viable. Therefore, my research question is very modest and asks: *Is it a profitable business to import ecological products such as coffee beans from Kenya to Finland?*

2 LITERATURE REVIEW

2.1 Ecological Food Production in Finland

Ecological food production is a concept adopted to ensure that the organic content of all agricultural products, processing, packaging and marketing are set in accordance to the required standards. This is set within certain countries or international organizations set them to ensure sustainability and safety of all agricultural products such as foodstuffs, feedstuffs and alcoholic beverages. In the EU there is a council regulation (EC) No 834/2007 that ensures that they are produced according to the methods required by the council regulation of the EU member states. It is a regulation for all member states and countries supplying food to the EU too are needed to abide by the regulation. (European Commission 2014)

Finland as a country has been a supporter of organic farming for a long time and has adopted EU regulation into its agricultural production policy. The Finnish food safety authority (EVIRA) is the body that controls the production, processing and also import of foodstuffs. The number of organic market has been developing all over the years and it has seen a rapid increase in the market recently. In 2011 it was estimated to be at 41% and increasing and the general organic market still remained at 2%. (Kurmakka-Organic food Ltd 2012)

Main chain stores such as the Kesko-group, Suomen Lahikauppa and S-group have also come up with their own production of the organic food in partnership with the Finnish organic sector. They control about 80% of the imported raw materials and they make sure it is to the required legislative, safety and environment standards and they directly or indirectly supply their products to the retailers and communicate their requirement to them through their policies. In 2010 there were 210 certified importers and processors of organic food, 84% of those were serving the mainstream retail chains and the rest 16% serving other outlets. In 2008 the amount of import that covered the organic market was 30% with an estimated income of 22 Million Euros. This included the raw materials and products imported as ready-made packed for the retail outlets. (Kurmakka-Organic Food Ltd. Oy 2012)

Generally there has been 40% increase in the organic market and according to (USDA) (USDA foreign agricultural report, 2012), the demand of organic food cannot

be fulfilled by the current supply. This is also fuelled by the thorough marketing for organic food by (Luomuliito RY), Finnish Association for organic farming. Most of the ecological food producers in Finland are those who produce ecological food products for both consumption in the Finnish market and for export to other European countries. This implies that what they mostly need for the production of the ecological food products are the agricultural raw materials in order to facilitate their production. This they can find in the European market but due to the general weather conditions in Europe they are not able to obtain enough raw materials from Europe in this case due to the unavailability. They are left to source for the rest from abroad. That is where a country like Kenya with its favorable agricultural climate and other regions in the world come in. (Kurmakka-Organic Food Ltd. Oy 2012)

There are a number of organic producers in Finland, the major ones being Valio Oy that produces dairy products, Helsingin Mylly Oy that deals with milled products and Fazer Oy that deals with bakery products (Proluomu 2014). The organic market in Finland is growing and is as shown in Figure 1.

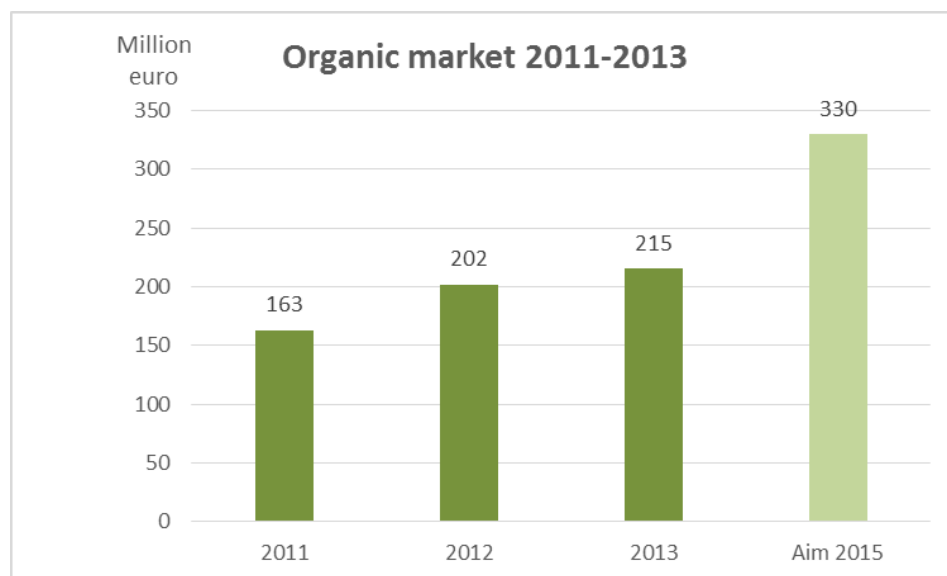


Figure 1. The growth of organic market in Finland (Proluomu 2014)

2.2 Raw Materials Imported to Finland

There are a number of raw materials imported to Finland from different parts of the world. Apart from the agricultural raw materials there are other raw material that find themselves into the Finnish market. Much of them come from within the EU boundaries and some come from as far as Asia and Africa. The common imports to Finland include foodstuffs, petroleum, chemicals, transport equipment and iron ore among many other raw materials. The major import partners to Finland are Russia, Germany and Sweden (Economy watch 2010).

The total amount of import as documented from 2011 amounted to 60.2 billion Euros and from the developing countries amounted to 9.7billion Euros which made up to 16.1% of the total imports. The figure below illustrates the amount of import in 2011 from the developing countries (Finnpatnership 2014).

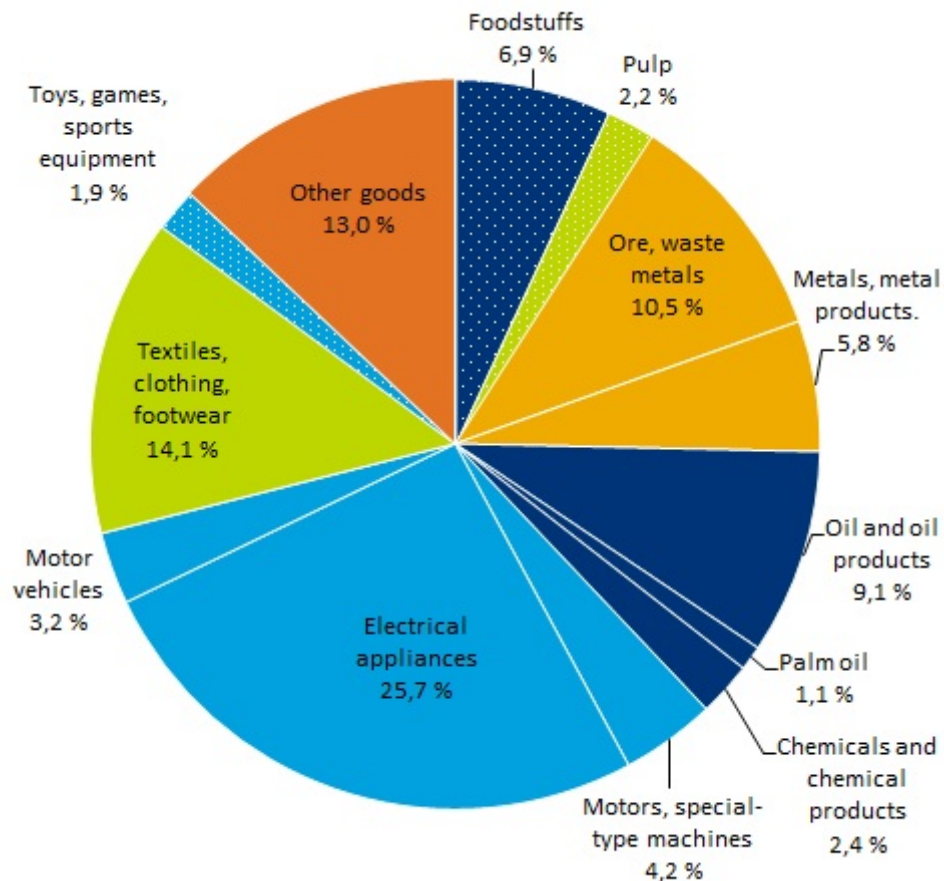


Figure 2. Amount of import into EU from developing countries in 2011 (Finnpatnership 2014)

There has also been a rapid growth in the coffee and tea consumption which has been backed up by a number of factors such as the customer awareness, customers getting aware of the health benefits of coffee and tea consumption on their daily lives and the sustainability issues to some extent. Consumers now want to know how sustainable is their consumption and with recent concerns for environment, it has become important for the consumers to know where the products they are using are coming from, how it's being processed and if the farmers involved in production of these goods are well compensated for their labor and are working on a suitable conditions. Apart from those social conditions that affect the future consumption trends there are also technological conditions, political conditions and environmental conditions that all add up to the changing trends. These trends should act as a barometer to the commissioner because it shows a great change in the consumption pattern of these products to which the commissioner could capitalize on to a sustainable choice of products that can be sustained in the Finnish market. (Developing Business Together 2014)

Food products in Finland are being controlled by a body called Evira (Finnish Food Safety Authority 2014) that ensures all the set requirements are met before one is allowed to import food products into the Finnish market. According to the requirements followed by Evira, one of them is the EU directive that covers the importation of food products to the region. There are various import requirements for all the products but food products by nature carries the stronger restriction. All members of the EU are supposed to follow the EU directive on the importation of food products according to individual state legislation. This legislation also focuses on the product liability, packaging and labelling, demonstration of compliance, packaging waste, chemical content and food safety (Finnish Food Safety Authority, 2014).

When importing products to Finland and the EU, every importer needs to know where the products classification intended for import falls into. This will make it easier for the importer to know the set requirements for imports of that particular import. It is also of great importance to note that it is the same body that takes care of food labeling, marketing, nutrition content and all the controls related to food import and manufacturing. Evira does this by the support of individual municipality, the customs and even the military to some extent. The nutritional content of every imported food should also be approved by Evira. The testing is done and approval given by the same organization (Finnish Food Safety Authority 2014).

2.3 Raw Materials Sought in Finland from African Countries

The general trade between Finland and Africa has been on the rise in recent years (Finnish Chamber of Commerce 2014). Among the raw materials most sought by Finnish firms for production are chemical raw materials, iron ore, minerals and agricultural raw materials, as mentioned earlier. This provides a perfect opportunity for Kenya since the production of agricultural raw materials and horticultural products is on the rise and Kenya is gaining a name globally on the production of these products for export (Expoport Finland 2014). This could be a good opportunity for exporters from Kenya and importers in Finland to bridge the gap by supplying these agricultural raw materials and the horticultural raw materials to meet the demand in the market. There is already some trade between Kenya and Finland on those products but it is still through third parties and an establishment of direct trading relationships between both countries will provide an opportunity for both countries.

The general trade between Finland and Kenya has been gradually increasing throughout the years with Finland exporting chemicals, technological equipment, machinery, medical pharmaceuticals among other products to Kenya (Expoport Finland 2014). On the other hand, Kenya was ranked as the world number one exporter of black tea all over the world in terms of quantity in 2013 (USDA 2013). Black tea is the major source of foreign currency in the country.

Apart from the tea and coffee, Kenya has also an upper hand in its export of horticultural products to the EU. This is due to the favorable climate patterns in Kenya that facilitate the cultivation of horticultural products. Kenya exports other things to Finland apart from the tea and coffee as illustrated in the table below.

Table 1 List of Kenyan products imported to Finland and their total value (Export Finland 2014)

Product	Value of imports (million EUR)
Coffee, tea, cocoa, spices	6.687
Vegetables and fruit	1.493
Crude animal and vegetable material	1.140
Chemical materials and products	0.261
Special transactions and commodities not classified	0.136
Miscellaneous manufactured articles	0.027
Electric machinery and parts	0.008
Wood and cork manufactures	0.005
Articles of apparel and clothing accessories	0.005
Non-metallic mineral manufactures	0.003
Total of top ten imports from country	9.765

2.4 Elements of an Import Plan

Importing entails shipping goods from overseas country to the domestic country where the goods are not available in the domestic market or otherwise, the domestic country has fallen short of efficient production or is not cheap enough. It involves all the process set in shipping the goods, the documentation, specifying responsibilities

for the shipment and where the shipment will be delivered and by whom. This to some extent also deals with who carries the responsibility in case of any unexpected circumstances, if that will lead to the goods not being in their expected form and all the logistical aspects involved on the import operations.

There are usually two types of imports, industrial and consumer goods and intermediate goods and services. Every time, before one decides to import from a given country the importer needs to closely scrutinize the products intended for import to figure out if there is a need or a market for the intended product in the domestic market and the country regulation in relation to importation of goods both in the domestic country and the overseas country. The general elements of an import plan are discussed in this section (Seyoum 2000).

2.4.1 Executive Summary

The import business will be established in Finland with the use of owner's finances. Some part of business loan will be obtained from a bank or other financing company such as Finvera, which is a state owned financing company in Finland. The objective of the company is to import quality raw materials from Kenya, to gradually obtain market share in the Finnish market and to gradually increase its market share. This will be facilitated by ensuring that there is efficiency in the business operation and making sure that the business runs profitably.

The long term goals are to create a long term relationship between manufacturers in Finland, businesses and the suppliers of the raw materials. The import business will also be aiming at being successful in the Finnish market and to expand to other different Nordic countries when the right opportunity presents itself and to create strong market presence. The short term goals of the business is to ensure that the products imported are known to the manufacturers, individual organic stores and individual customers by making sure that the goods supplied to them are of good quality and that they will want to be associated with the importer and at a reasonable price.

2.4.2 Company Description

The name of the business will be decided by the Commissioner. The business will be registered as Limited Liability Company owned by the commissioner who will be

dealing with and not limited to import of raw materials such as coffee beans, tea leaves, dry spices and dry nuts. The import business will have the raw materials imported directly from Kenya to Finland from suppliers in Kenya who will be critically scrutinized to make sure that they meet the requirements and the standards of the business in relation to how they operate and the quality of their supplies.

The inventory will be purchased from the suppliers and ensured that there is always a steady supply in relation to the demand on the market. This will be done by making sure that the amount of shipped raw materials at the first time is closely monitored to make sure that the next batch to be supplied is done as a result of close observation and the market demand since that will determine the intervals at which the raw materials will be coming in. To make sure that the business is operating efficiently it will be of great importance for the commissioner to attend various trade fairs and to also familiarize herself with many different suppliers and producers databases from Kenya and to also get to closely monitor the trends in the Finnish market. Pricing will be determined by the cost of obtaining the goods, covering all the cost involved and depending on the domestic market price of the imported raw materials.

2.4.3 Target Market

To ensure that import business meets the demand of the products in the market, it has to define the target market by checking into different customers who might need the imported goods into the country. One of the biggest and main market will be the manufactures who need the raw materials in the production of high end coffee drinks and tea. Apart from them, the segment of the ecological shops in Finland, will also be of great focus since they only trade on the ecological products and this provides an exclusive market for the importer for coffee beans, tea leaves and the dry spices.

The upward trend in ecological products consumption produced here in Finland and abroad and the general consumer behavior when it comes to consumption has also led to the segmentation of the available market share into two categories: manufacturers and the individual organic stores who are also dealing with the same products. This market is a gradually growing market. If compared to the market of other products it might be relatively small, but it is a market that holds a substantive amount of customers and will keep on growing as long as people will keep on being conscious about their health and what they consume. Due to the growing trend on consumption of the

organic products it is very crucial that the commissioner too has current information on the consumption trends of organic products. This will enable her to be sure of the trend of the market operated upon and if it is supplied with what is needed. In case of a change in consumption pattern or a change in need of the raw materials by the manufacturers, it is crucial to work closely with other organic agents and regularly attend the trade fairs on the organic products.

2.5 Sustainability and Ecological Issues in Importing

There is a global initiative on awareness of the ecological environment and sustainability (European commission 2014). This applies across governments, corporations and individual business partners in the current business eco-system. This has led to a rise in concern of the purchasing choices of all the named parties, if they are up to the required environmental and social standards and if they are complying with those standards. The factor has drawn a clear outline of relationships between trade, environmental sustainability, social-related needs, the consumer and retailers demand all through the social production.

It is becoming important every day for the producers to know how the products they consume were produced, how it got transported to them (by use of low carbon emission) and how it went through the supply chain all through to get to them. It is an issue that forces all the importers to equally check on these issues in relation to their products of operations in order to be successful in the market. As the demand for products increases and so does the income of the producers most of the time, this forces the producers to want to produce more to cater for the demand in the market. It leads to the producers being monitored to ensure that the production is done on a sustainable ground and using the required standards. The sustainability issue in production also goes further to the issues of safety of those producing the products, their remuneration and health standards. Below I discuss some of the issues that might be of interest to the commissioner for ecological and sustainable import of materials from Kenya to Finland.

2.5.1 Fairtrade Issues

Fair trade is an organization that ensures there is fairness and sustainability between the producers, traders, business entities and consumer. It has all members registered

into the organization and follows the required standards in production, purchasing, marketing and distribution of their products. It generally provides its members with better deals and an improved term of trade. All products that possess its mark imply that it has passed the standard set by the organization. (Fair Trade International 2014)

There is not generally a very strong presence of the fair trade organization in Africa compared to Europe and other part of the world but there is a gradual entrance of the organization into the African market. In Kenya fair trade is present in the cash crop sectors and horticultural sectors. Although the organization might not be so radical in implementing its agenda in Kenya like it does in Europe, the government of Kenya has also laid down regulation to ensure that there is sustainability in production, the safety and interest of producers are met and it has established a body taking care of the consumer protection issues within the market.

The fair trade organization in Kenya caters for the small marginalized farmers by ensuring that they have information they need in marketing their products, taking ownership of their products and ensuring that they actively participate in the export market. The organization brings together all the small farmers to make them benefit from economies of scale by pulling their products together and marketing them together. These issues give the commissioner a clear picture on what kind of traders to deal with, of essence will be to find out even those traders who deal with the individual farmers but then they are operating with the bracket of being sustainable and ecological. (Fairtrade of Kenya 2014)

2.5.2 Green Logistics

Green logistics is a concept that tries to measure the impact of all logistical activities to the ecological environment. It entails inward and outward flow of information, products, raw materials and services from the point of origin to the last point of consumption (Green Logistics 2014). The concept is meant to make businesses and companies sustainable by balancing its economic activities to the environmental impacts. It ensures that the business supply chain takes into consideration the responsibility of protecting the environment and conserving the resources. This is done by ensuring that all aspects in terms of operations are working towards achieving the goals with environmental issues in mind.

Green logistics includes different elements that need to be taken care of such as sustainable packaging, where the material used for packaging are re-cycled and are not wasted and that they also have limited negative impact to the environment. Other elements of green logistics includes route and load optimization. Route optimization, means that there is a selected route to be taken which tends to be shorter and reduces fuel consumption. Load optimization includes the idea of making infrequent and larger shipments and reduce the ecological impacts of transportation. All of this require information sharing between different supply chain partners, cross functional collaboration using sophisticated IT solutions. (Green Logistics, 2014)

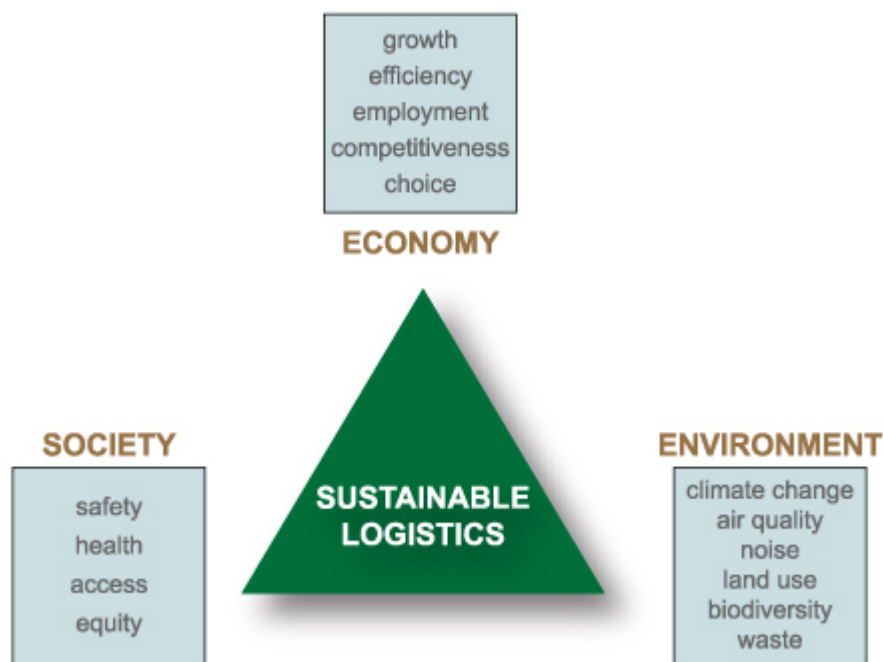


Figure 3 Elements of "Green Logistics" (Green Logistics 2014)

This is a concept that will be very helpful to the commissioner because ecological issues and sustainability are of importance to any business. It is the ethical way of doing business by making sure as a business owner that you do not only make profits from the business but also are concerned about the social and environmental impacts of your business. To the commissioner the aspects of sustainability in business is a key element and hence the commissioner needs to adopt the elements of green logistics as suggested earlier (Green Logistics 2014).

2.5.3 Working Conditions

The working conditions in Kenya might not extend to the required standards like any other developing countries; nevertheless the situation in Kenya is far much better compared to other parts of the world. Kenya is among the most democratic states in Africa (The East African 2014) and one that is more advanced and with a larger literate force in the sub-Saharan region. Employees of any establishment are entitled to all the rights vested upon them by the laws of Kenya and in case of an infringement to these laws they have a right to issue a strike notice to their employers.

Nonetheless there might be cases of employees' mistreatment by large farm owners, low wages and working in unsafe environment. Though the government of Kenya is trying to better the situation there has been many complaints put across regarding those issues (Government of UK, 2014). As an importer, it would be critical to ensure that the products you are supplied with are from the producers who are well known and have a good reputation. It is therefore of great importance that the importer critically assess the origin of the imported products by making sure that the workers in production are not abused, they are well remunerated, working in good conditions and there are no under aged children working in the production processes.

2.5.4 Sustainable Packaging

Sustainable packaging is all about developing and use of packaging materials that improves sustainability of the environment (Sustainable Packaging Coalition, 2014). This looks at the broader picture in a supply chain from the functions of the packaging, marketing and end life of the package. It ensures that there is a proper assessment of the lifecycle of a package and its inventory.

Sustainable packaging ensures that the business economic needs at present are met without necessarily interfering with the needs of the future generations. The design of the package, the choice of the material used, how it was processed and its life cycle are important issues to be considered. It is a concept that mostly focuses on reuse of recycled material in order to prevent an unnecessary use of the packaging materials. The material used should be biodegradable, energy efficient, efficient in terms of logistics and minimal material. This is a very important aspect as it is cost effective, en-

vironment friendly and it is also how your products are seen in the market and hence speaks a lot about the product seller. (Sustainable Packaging 2014)

2.6 Conceptual Framework

The conceptual framework in figure 4 synthesizes different aspects of sustainable and ecological import as discussed in the literature review section. It indicates that in order to import raw material from Africa for ecological food production in Finland various elements in sustainable and ecological importing should be considered. These include Fairtrade issues, using green logistics, making sure that sustainable packaging is used and the working conditions of employees involved in producing agricultural raw materials are acceptable. Inclusion of all of these elements lead to a good import plan that takes into consideration different ecological and sustainable issues while importing.

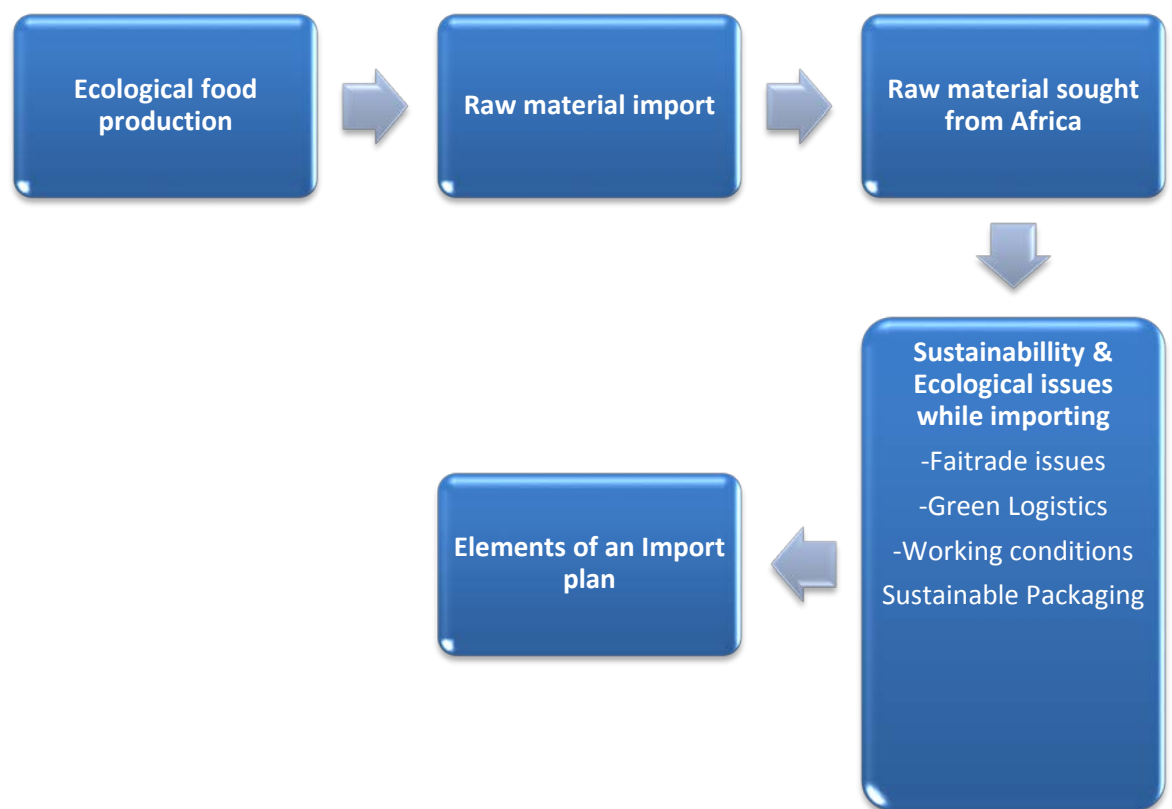


Figure 4. Conceptual framework

3 IMPLEMENTATION OF THE IMPORT PLAN

3.1 Market Study

The market study is a very critical component of any business plan because it is what drives the business and it is what will make one to critically make decisions on whether they are going to trade or not. A well done study will enable an entrepreneur to understand the market of the product intended for sale, if there is the demand for that product, what opportunities and risks are involved and also in defining different strategies. It enables one to know the market size, need and its competitors. In this case the products that were of interest to the commissioner are what I looked into and I tried to find out if there is any existing demand for these products in the Finnish market. The raw materials that were checked are described in this section.

3.1.1 Coffee Beans

There has always been a demand for coffee beans in the Finnish market. Finns are known to be among the population that drinks a lot of coffee in the world. A Finn consumes 12 kg per capita of coffee in a year (The Roasterie 2014). Though, there is a very high demand for coffee in the Finnish market, few individual companies import directly from the developing countries due to the strict EU regulations that leaves only those who are able to import high quality coffee into the European market.

The most common coffee imported into the Finnish market is the Robusta and Arabica and they are mostly imported as green coffee and are graded according to a given criteria (Coffee and Coffee Products in Finland 2014). Though Finland is among the world's most coffee drinking nation, there was a slow growth of the coffee market by only 1% in 2013 (Euromonitor International 2014). This means that despite the economic hardships, the Finns still stuck to their coffee consumption at all times. When there were hard times and the normal coffee drinking citizen could not afford daily coffee, most people stayed without regular drinking but drunk more high standard coffee products such as coffee that is highly blend or organic coffee. This shows how important the quality of coffee consumed is to the Finnish population.

When it comes to determining the price of coffee in the Finnish market, that is usually determined by the world coffee prices. As the world coffee prices keep fluctuating and

also due to the domestic price of coffee, generally there is no fix price of coffee. It is determined by the supply and demand and the quality of coffee. This is also influenced by the origin country of coffee since coffee from different places are of different quality and being a natural product this keeps on changing. More information on that can be found through different sources such as International Coffee Organization 2014. The pricing of Fairtrade coffee on the other side is determined from the pricing database of the fair trade organization which means that fair trade coffee should be priced in the local market in accordance to the Fairtrade Organization's recommendations.

The main exporters of coffee beans to Finland are Brazil and Colombia, with Brazil importing up to 47% of the total import and Colombia 18%, but they are both gradually losing their market to other emerging suppliers (Ministry of Foreign Affairs of the Netherlands, 2014). Kenya supplies 4% of the Finnish coffee but this is predicted to soon grow to a larger percentage with the European coffee demand on the rise and most importers aiming to increase their imports to the rate of 50% to 100% and to ensure that they are certified coffee (Ministry of Foreign Affairs of the Netherlands, 2014).

The big competitors in the coffee market of Finland are big coffee names in the country with a long history of coffee import and distribution in the Finnish market such as the Gustav Paulig Oy which had a 50% market share in 2013 (Euromonitor International 2014), followed by Meira Oy 14% with its Kulta Katriina brand, which also does exceptionally well in the Finnish market. There are also other small coffee importers such as the Cafeteria, Café Caracol, Porvoon, Pahtimo, Kaffa Roastery, Mokkaestariit, Turun Kahvipahtimo, Helsingin Kahvipahtimo, Jyväskylä Tuorekahvipahtimo and Kaffino Oy. The commissioner could consider of these different importers of coffee as her main competitors.

3.1.2 Tea Leaves

Tea consumption in Finland is not that much compared to coffee consumption, but the amount of tea drinkers all over the years has been increasing gradually. Most tea drunk in Finland is the black and green tea and those are usually packed in retail packets directly from the UK where the blending is done (The Sussex Tea Company 2014). The grade of tea is mostly not specified and it is determined by the country from

where it is originating from and the size of its leaves. Despite the low tea consumption in the Finnish market, most Finns are pulled towards drinking high quality tea compared to the standard tea. The tea market is also getting a boost from the amount of foreigners living in Finland with a long culture of drinking tea from their home countries. (Tea in Finland 2014)

With many European countries committing to import a threshold of 50-100% tea in the near future this means that the suppliers of tea have to prepare themselves to fill the demand. Finnish major tea brands are R Twinning which is commonly found on the supermarket shelves with a market share of 31% and followed by Lipton with 29% (Euromonitor International 2014). These are brands that enjoy a large presence in the Finnish market and are known to be produced by many different brands of tea flavors for the Finnish market.

Apart from the Lipton and Twinings there are also the Nordqvist and Forsman tea flavors available in the super markets. Finland also provides a very unique market for tea consumption and that is the organic tea, with the Finnish consumers channeling their consumption towards organics that provides a new market that is yet to be exploited and with a lot of growth potential. The countries that supply most tea to Finland are mainly Poland with 26% of the market share followed by Srilanka with 20% and Kenya with 14% (Ministry of Foreign Affairs, 2014). The price of tea in the domestic market is determined by the auctioning price in the international market. Those auctions are in Srilanka, Kolkata and Mombasa Kenya (Ministry of Foreign Affairs, 2014). For the Fairtrade tea, the organization determines the price of its products in every market and there is 15% of that heading to the production (Fairtrade International, 2004).

The tea import is expected to reach 1,373 tons in 2018 (Euromonitor International 2014). This is a prospect that every importer should put their target to. The consumption cannot be compared to coffee but it keeps growing and with the introduction of different tea flavors and the marketing that is done on the general market of tea as a healthier drink compared to coffee consumption is generally going to increase (Hot Drinks 2014).

3.1.3 Organic Spices and Herbs

The spice and herbs market generally in the EU is the second largest in the world, though in Finland the market is quite small and most spices are obtained from other countries within the EU. The most common spices imported to Finland are pepper, capsicum, cardamom, ginger and cinnamon (Ministry of Foreign Affairs Netherlands, 2014). Despite the market being small, the demand for spices in Finland has also been increasing steadily. The amount of spices sold each year shows a trend of an increase in the use of spices and herbs. This is due to the fact that the Finnish population is getting to be interested in different food from different parts of the world and the fact that most spices and herbs are naturally produced and hence perceived as healthy. Apart from cardamom, all the other spices imported to Finland in the recent years has shown an increase in demand in the market. (Packaged Food 2014)

Finland produces some spices and in 2013 the amount of spices and herbs import amounted to 38, 000 tons (Euro Monitor International, 2014). This is also due to the fact that Finns generally appreciate cooking at home and hence the rise in demand. Generally the amount of spices imported are used in three categories: industrial, retail and catering. The dominant player in the spice market in Finland is Felix Abba Oy, which had a 56% value share in 2013 (Euro Monitor International, 2014) and that is credited to its long experience in the spice market within the Nordic region.

There is a prospect of growth to 39,000 tons in 2018 and that is only 1% growth (Euro Monitor International, 2014) but it is a unique market. As the population get used to the use of spices and herbs added to the fact that Finland does not have a very large market in spices, it still does not rule out the existing and growing demand of them. It is a market that the commissioner could critically assess and even think of importing the spices and re-exporting them to the neighboring countries within the Nordic region because most of the imported spices entering the EU are destined for Germany and France despite the growing demand all over the European Union. (Spices and Herbs in Finland 2014)

3.2 Trade Intermediaries

For both coffee and tea from Kenya there are different corporate organizations that deals with the issue of shipping the products abroad. These are institutions that are

trusted all over the world due to their long history in operations. The Kenyan coffee and tea sector has been a sector that has been operational for a long time, though recently there are also many small scale intermediaries. There are those bodies that are known to have worked in the global market for a long time and hence they are trusted agencies and they have the ability to take on their operations without hitches due to unlimited resources and long experience into the business.

Most of the trade intermediaries in both coffee and tea in Kenya are working for some big importing companies abroad. Once they get instructions from the companies abroad about the type of coffee that they require, they go around the auction in Mombasa and in the Nairobi coffee exchange, and at times to the individual producers and make sure that the coffee or tea they are buying are tested and are of the required standard by the importers abroad.

There is also the coffee board of Kenya and the Kenya tea board which are the bodies that are responsible for issuing broker licenses for both tea and coffee. For tea, there are a number of brokers but when sustainability and ecological issue are considered in their operations, I came to the conclusion that the African tea brokers, Union tea brokers and the Ketepa tea packers are the most recommended ones. When it comes to coffee, there are also a number of middlemen working on the same product and they are licensed by the coffee board of Kenya. The Kenya coffee network is also an e-commerce market place where the organization involved connects producers, suppliers and importers online in order to simplify the coffee purchasing processes and inquiries. The best is the Kenya Coffee Agency which stood out among the rest with a rich history on sustainability and ecologic factors into its operations. (The Kenya Coffee Directory 2014)

3.2.1 Suppliers

When it comes to the production of coffee and tea in Kenya there are large scale producers who produce their own coffee and tea in the estates, blend them and take them through all the processes up to marketing them by themselves. There are also some small farmers who individually cultivate coffee and tea in their small farms then form a Sacco, the saving and credit cooperative societies that will be responsible for taking their products to the auctions and seek for suppliers who will help them supply the products to the market. This they do since the cost of going through the whole process

for an individual farmer is costly and most of them are not so familiar with the markets. Tea and coffee are sold in the Mombasa tea auction and the Nairobi coffee exchange but still there are a lot of suppliers of the same products and your products also can be bought online by quoting the price for individual suppliers.

The export promotion council of Kenya also has a list of suppliers on their website <http://www.epckkenya.org>. It has a list of Kenyan suppliers of both coffee, tea and different types of Kenyan spices where one can quote a price of a product. One can also be connected by individual suppliers from the coffee board of Kenya and the Kenya tea agency. In order to get the potential suppliers, it is important that an importer could scrutinize their operation and make a fair judgment of them to use them. It could be suggested that in this case the commissioner should try to attend the coffee and trade fair in order to familiarize herself and get the up-to-date information on what is happening in the coffee and tea market. The world tea expo and the coffee European symposium which takes place in Turkey are also good places to attend to. Fairtrade coffee and tea supplies can also be sourced from the fair trade suppliers in Kenya. This will be important in the sense that it will relieve an importer trying to scrutinize on the operations of your supplier every other time in an effort to ensure that they are ecological.

3.2.2 Export or Import agent both in Finland and Kenya

The coffee and tea business in Kenya, due to the strong network between the farmers and suppliers, is crowded with a lot of associations and cooperative societies for both farmers and suppliers. These bodies are created to ease the work of individual suppliers and farmers in the sense that by pulling their resources together it becomes easy for them to operate. This is because about 70% of Kenyan coffee is produced by small scale producers (The republic of Kenya 2010). Through the coffee network association and the other bodies created for both tea and coffee, one is able to differentiate the type of cooperatives and association since there are almost hundreds of them. They are usually segmented into supplier's cooperative societies and producer's cooperative societies. Checking regularly into this cooperative societies for an individual importer of coffee and tea from Kenya might also be critical for the commissioner. For instance, a close look at their website will enable one to have a clear idea on the pro-

duction and supply trend and make wise judgment on how to plan operations rather than waiting for the products to be exported directly to the importing country.

Pricing of both products (tea and coffee) depends on the auctioning prices for tea at the Mombasa tea auction and the Nairobi coffee exchange for the coffee. In the year 2014, there was a successful price hitch globally for the price of coffee since the beans produced were of high quality and hence there was improvement on the global market price. The sales rose by a margin of 5.7% and the supplies by 13% (Bloomberg, 2014). This shows the effect the production has on the global market of coffee. For example, the price depends on the quality of the coffee beans or tea leaves which is determined at the auction and the coffee exchange which then reflects on how much the exporters are going to sell the products and hence that affects the final pricing of the products to the consumers.

A database on Export Promotion Council of Kenya also has included a list of exporters for all the products checked on this thesis: coffee beans, tea leaves and spices. This enables the importer to easily link up with the exporters of these products in order to make enquiries on the products intended for import. Among the dominants exporters are Dormans Kenya limited and Sasini limited (<http://www.sasini.co.ke/>), both of which are highly reputed in the business for coffee export. Similarly, other well-known exporters are Kakuzi limited and Sasini limited for tea. These are examples of few exporters, among the many listed on the export promotion council. The council itself was established specifically to help support importers with intentions of importing from Kenya and Kenyan exporters who intends to export abroad. It is responsible for facilitating market research on the available products and help support importers and exporters by facilitating their import and export operations. (Bloomberg 2014)

In Finland, generally when imports arrive from abroad it is the agent companies who bare responsibilities for the imported goods or the importing companies. In most cases when the goods arrive into the port from the suppliers abroad, who are mostly contracted by import business in Finland, there are clearing and forwarding agents who are contracted by the importers to take responsibilities of the imported goods. When it comes to big chains in Finland, they do have their own import agent who makes sure that upon the goods arriving they are cleared at the port.

3.2.3 Logistics Partners

Shipping from Kenya to Finland is done by many different shipping lines. For importing tea, coffee and spices and herbs, dimensions shipping is the best option. Dimensional shipping is used where there is a clear defined dimension of the goods, if it is possible to pack them in units and to determine how much space they take. This will be the best mode of transportation in our case because we are transporting bulky goods. Additionally, it is also an efficient sea transport method over the long distance.

There is no urgency in the goods we are trying to import to Finland. Therefore, I tried to check different shippers that are well reputed and according to criteria of sustainability in relation to their areas of operation, the ones discussed here fit the purpose. The shipping companies mostly used for those routes are Marsk, Hapag-Lloyd, Mol and CMA cgm. The alternative routes that those ships take are from the port of Mombasa all-round the Indian Ocean through the Atlantic Ocean to Helsinki. Other option would be shipping goods to Tallinn in Estonia then to Helsinki. There are other longer routes that go through Tanzania then direct to Helsinki.

Considering the nature of the product we are transporting and the bulkiness of the goods, shipping them from Mombasa to Helsinki seemed to be the best alternative time wise. It takes 29 days and 12 hours covering a distance of 13373.7km. Other ways of shipping the products will be to have them transported through from Kenya by road to Egypt then have them shipped to Helsinki. This is not going to be a convenient and reliable way to do the shipment as it is uncertain of the across African route and it also consumes time.

The possible shipping companies in the same route are Deep Sea Shipping Solution, Nordic forwarders Oy (<http://www.nordicforwarder.com/>) and Solid Way Oy (<http://www.solidway.fi/>). There are different possible carriers and one should be very clear when choosing them. There are different kinds of Incoterms to be used when it comes to transportation of goods. This is defined by the method of transportation and the medium used. In most cases, it is the Incoterm that acts as a contractual agreement on the transportation of goods. In this case, it is possible to use Free Alongside Ship (FAS), Free on Board (FOB) and Cost, Insurance and Freight (CIF) as Incoterms.

The cost of the chosen carrier with Free on Board (FOB) as Incoterm is 2150 Euros per container with a capacity of 8 tons of coffee beans (Sea rates 2014). In case of problems during shipping, the seller who contracts with the carrier will sort out the inconveniences or it will be sorted out as dictated by the Incoterms. The general size of the containers for this purpose of transportation is 20' x 8.5', 40' x 8.5', and 40' x 9.5' and the cost is calculated in relation to time and distance. (Transport Information Service 2014). Figure 5 shows the standardized container used generally to ship bulk goods.



Figure 5 Container for shipping bulk goods (Hartman Project Line 2014)

3.2.3.1 Packaging

When coffee beans are being transported for export from Kenya they are mostly packed in jute bags or sisal bags weighing about 60kgs. This is critical in the sense that those kinds of bags allow air circulation into the bags and hence the quality of the coffee beans remains the same throughout the shipping process. The packing is ecological in nature since those are biodegradable materials and are always reused after the products have reached their destination. The sisal bags or jute bags can be further used for packing small items for the retail market or used for industrial use.

The kinds of containers used for transportation of coffee beans are usually the standard container and the ventilated container. The standard container is in most cases

placed with an inside lining of either paper or plywood. This is usually stored on the under deck of the ship in order not to allow a drop in temperature. It is usually maintained at 60 degrees and has some small ventilation holes. (Transport Information Service, 2014)

The ventilated containers on the other hand has ventilation holes all-round the edges on top and at the bottom. This allows circulation of air inside the container, as air is blown in through the lower edges ventilation and extracted out of the container through the top edges ventilation holes. This ensures that the air inside the container is fresh and in circulation. The bottom of the container is usually placed with wooden flooring and it is at all times kept clean and dry in order to avoid any kind of situations that might lead to the compromise of the coffee beans quality. (Transportation Information Service 2014)

Tea leaves are usually packed on a plywood chest for export and lined with aluminum foil to avoid foreign odors. For it to be free of aroma, a whole chest of 35-60kgs are also packed in jute bags. The corners of the chest are usually covered with sheets of metal to avoid humidity. The tea leaves while placed in a standard container must not allow any foreign odors or must not be in contact with water, humid or heat. (Transport Information Service 2014)

The methods used in packing both coffee beans and tea are ecological in nature in the sense that the packing materials can be reused and it does not interfere with the quality of these products. They are also packed to make sure that they maximize the container space and due to the nature of these products make sure that they do not at all get any kind of contaminations. Those containers can be easily used as FCL, which is an abbreviation that stands for Full Container Load, without any difficulty since arranging the chest and the jute bags favors the capacity of the container due to how they are shaped. The common size of a container meant for the purpose of transporting the intended products usually has a capacity of 1170 cubic feet.

3.2.3.2 Transportation Terms

Based on the distance between Mombasa and Helsinki terminal, a full container load (FCL) of coffee beans costs 2150 Euros Free on Board (FOB) as also mentioned briefly earlier. This indicates that selling of the goods happens when the goods get to its

destination. Upon the goods leaving the port of Mombasa it is the responsibility of the seller, as they leave the port in Kenya, until they are delivered to the port of Helsinki. There can be other different transportation Incoterms, but for the commissioner the safest option seemed to be FOB term for the carrier. This Incoterm also indicates that to cover for the risks in transit, the insurance needs to be paid by the seller of the goods. This also helps the buyer since in case of anything happening to the goods on transit and nobody knows where and when the damage happened to the goods, it will be difficult to ascertain exactly on the responsibility of the damage. Various other Incoterms option available to the commissioner are shown in figure 6.

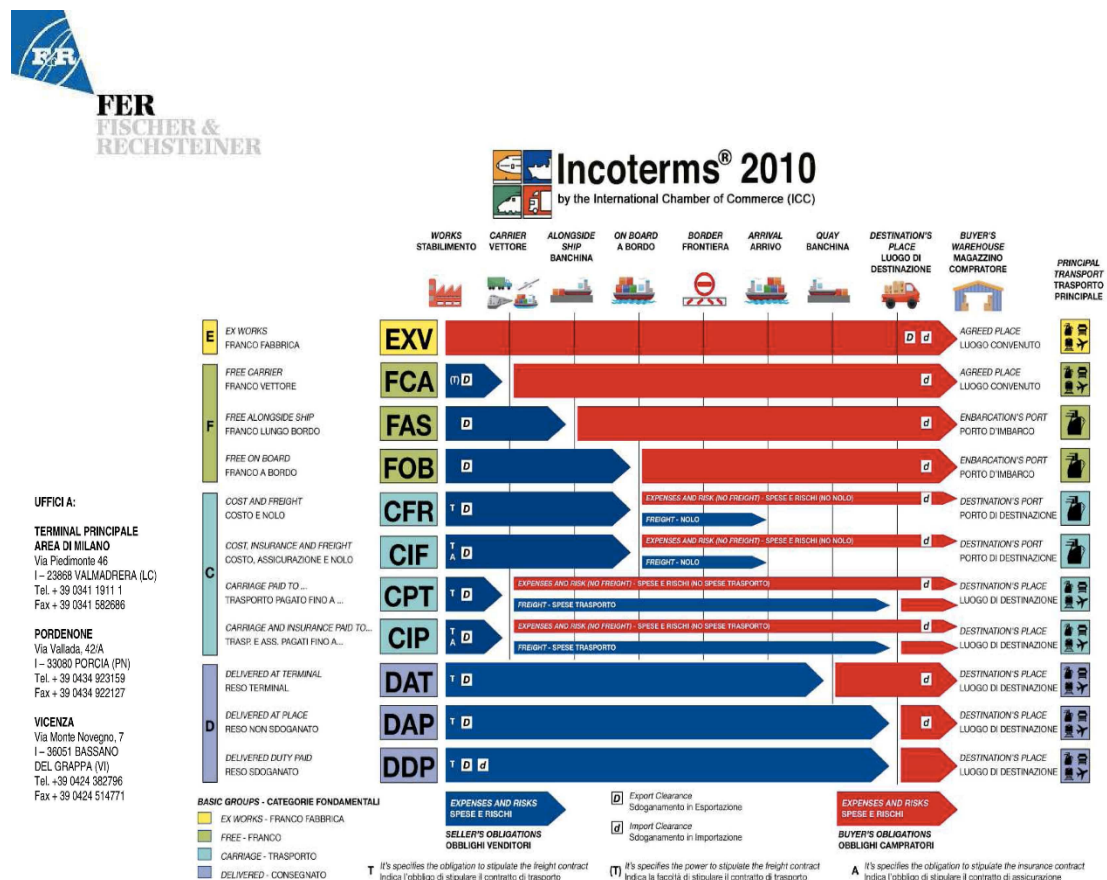


Figure 6 Various Incoterms options (Fer Fischer & Rechsteiner 2012)

3.2.3.3 Customs Clearance

Coffee and tea from Kenya imported to the EU fall under product categories with code "090111". These products, as of 1.10.2014, are subjected to duty-free and quota-free entry into the EU market (European Commission 2014). This is due to the most recent requirements of East African community goods entering the EU under the Economic

partnership Agreement (EPA) which is a free trade agreement negotiated between the EU and the African, Caribbean and the Pacific countries. For other different types of goods they will be subjected to the General System of Preference Rules (GSP) which allows developing countries exporters to pay less or no duty at all when their goods get into the EU in order to give them the market access. Unlike before; when goods from the East African Community only required a document named Euro one upon reaching the port of entry, under the new concluded negotiation, all goods reaching the port of entry should be accompanied by Certificate of origin, Commercial invoice, Custom value declaration, Freight and insurance documents, Packing list and a Single Administrative Document (SAD). These are all required upon the port of destination for the goods received. The goods imported to Finland such as food stuffs and animal feed is also subjected to a VAT of 14%. This applies for every of those products meant to be supplied as consumer goods. (Trade in Europe 2014)

3.2.4 Buyers

The buyers in Finland of the raw materials the commissioner is importing could be the producers of different types of high quality tea and coffee in Finland. This will mean that the importer will import the goods, have them tested and then sell them to the producers in Finland. This will be good for the importer because it will reduce the amount of time and all the complex procedures that the producers of the high quality tea and coffee have to go through while importing the raw materials to Finland. There are also producers of coffee and tea in Finland who produce the products not only for the domestic market but for export to other European countries such as Poland. These producers, whether they are producing for the Finnish market or for exporting to other European market, are potential buyers of the imported products.

There are also general consumers who are keen on the ecological market and production. The general retail public who are the consumers of the ecological products are one of them. This is another market that the commissioner could tap into, considering that there will be demand for these products due to its uniqueness, better quality and the product has a proven demand. Coffee has a niche market in Finland in the sense that there is product segmentation when it comes to coffee: there is the regular coffee drunk every day in every household and there is the premium coffee that comes with a higher quality and fetches a higher price. This makes it a better market and a more

segmented one in the same product category. The general trend (Euromonitor International 2014) also shows that the public are now much more concerned about their health and what they consume. Organic tea, coffee and spices tend to fall into better part of the current day to day trend where people do not want to just consume anything but think twice about what they consume in terms of whether it is healthy or not. With the health benefit of ecological coffee and tea especially, it adds up to the consumer satisfaction.

There are also a number of chains in Finland who have specialized in the sale of ecological products, and this could prove to be another potential market. A spot check around major places in Helsinki on 27.08 showed some chains such as the *Säästä ja punitse*, those stores specifically dealing only with ecological products. For these types of chains, instead of having themselves source coffee and tea from abroad, commissioner could readily make these products available here in Finland.

3.3 Documentation Required while Importing Products

3.3.1 Certificate of Origin

This is a document that will be needed to import products from any country. For this case, if the importer is importing the raw materials from Kenya, it must accompany the document indicating where the shipment is coming from and what it contains. In this case the body that issues the certificate of origin in Kenya is the Kenya Revenue Authority and it inspects the goods and makes sure that they were produced in Kenya and includes additional information related to producers and the contents of the product. This is important as it is required by the customs upon the port of entry.

3.3.2 Commercial Invoice

This is a document that will also be required at the port of entry to show the value, amount of goods, total unit amount imported and who are the importer and exporter. It is also necessary to indicate the type of “terms of sale” and what kind of packaging is used for the imported goods. It is a critical document and should always be signed and it should contain correct information. This acts as a proof of the transaction and the currency used for payment.

3.3.3 Custom Value Declaration

This documents should be presented to the custom authorities at any time when there are goods imported and the value of the goods exceeds 10,000 Euros (Finnish Customs 2014). If the value of the goods does not exceed 10,000 Euros then there is no need for the document but there should be no goods imported in installments belonging to the same importer since that will be taken as a tax evasion. The purpose of the document is to establish the value of the goods for taxation purposes and should include all the cost incurred while purchasing the goods, transportation and insurance for the goods since this will all determine what will be the amount of taxes to be imposed on the goods. These documents are provided by the customs authority upon the port of entry.

3.3.4 Freight and Insurance Documents

Upon arrival to the port of destination there will be a requirement to check various documents pertaining to the goods transported to indicate who was handling the goods and if the goods are insured. For this case, the documents needed will be a Bill of Lading (B/L), which might be negotiable or non-negotiable. Straight bill of lading will be issued directly when the consignment is delivered while the negotiable bill of lading can be traded, which will indicate that the carrier received the goods and the responsibility towards delivering the goods to the port of destination is vested upon the carrier. In most cases the type of bill is usually a “clean bill of lading” but if the goods received by the carrier were damaged and not in the right form then the bill to be issued will be a dirty bill. The bill of lading indicates who the owner of the transported goods is and it also acts as a contract between the carrier and the owner of the goods to transport the goods to the indicated destination. (Seyoum, 2000)

3.3.5 Freight Insurance

This is the insurance document that is to be liable to the carrier, in most cases. To some extent the carrier is liable for the goods on transit, nevertheless the insurance liable to the carrier are only the ones indicated and thus it is important for the owner of the goods to insure the goods. This is because if damages occur to the owner of the goods which are outside the mandated insurance liability to the carrier then the carrier will not be liable for the damages. It is important for the owner of the goods to be sure

of the extent to which the carrier is liable for the damages caused when the goods are in transit.

3.3.6 Packing List

The packing list is a document prepared by the exporter where the details of the transported goods, the amount, the parties involved, in this case the exporter and the importer and the packaging of the goods are mentioned. It should also indicate the packaged units of the goods and how much each unit contains and how much it weights.

3.3.7 Single Administrative Document (SAD)

All the goods entering the EU must be declared on the customs of the individual country in which they are destined. This can be done electronically or by depositing at the specific customs premises. The main information that should be declared is identification on the parties involved in importing the goods, information on the country of origin, the location of packing and its Taric code which is a unique code given to every line of products imported into the European community. The document is associated with the goods and it must indicate how the taxes will be paid and what method of transportation will be used. (European commission 2014)

3.4 Risks

There are many different risks involved while transacting an import trade. There might be the risks associated with suppliers such as unreliability of the supplier. There might be also the physical risk that involves the damage of the goods or a security risk that might lead to a loss of the products on transit. While the goods are in transit, there might be the risk of goods getting damaged or even at times the goods get lost due to different situations on the transit line, or even late arrival of goods.

There is also the risk of quality, the goods delivered might be deteriorated in quality and hence not fit to be sold by the importer in the intended market. There are also risks relating to market and pricing; the importer might have ordered the products and anticipated on a given price and while on the inventory the demand might change in the market and hence the price of the product in the market too. Foreign exchange fluctuation and other macro economical risks, might be risky to the buyer in the sense

that the importer might run at a loss if he or she doesn't know the correct value of the currency under transaction. A buyer in Kenya might see the price as being cheap not realizing that when the goods get to Finland the trading currency will be in Euros. Performance risk are also to be expected at times where a supplier or the exporter does not perform his intended duty due to different reasons. (Seyoum, 2000)

3.4.1 Possibilities for Insurance

Before taking any insurance the importer should clearly be certain about the kind of risks that might occur while the goods are in transit. The risk might have huge monetary implications. Some risks might be covered by the carrier terms but then there might be risks that are not covered by it. For example, risks due to foreign exchange fluctuation might occur and it may be the risk borne by the buyer rather than the seller unless indicated otherwise in the Incoterms. By having different Incoterms (FOB, CIF) importer also benefits much since there might not be any guarantee of how much the seller will be paying in case of any damage. Since the risk borne by the buyer might be higher in terms of monetary implications, it is advisable for the importer to be also keen on insuring the goods just in case of any risk that might lead to financial losses. (Seyoum, 2000)

3.5 Payment Terms and Methods

Like in many international businesses, the most common means of payment is by the Letter of Credit (L/C). This is a document issued by the buyer's bank or in this case the importer to the exporter's bank as a commitment to pay for the ordered goods once the terms and conditions for the purchased goods are met and the goods are delivered to the importer. In most of the cases the credit period is negotiated by the exporter and the importer and it is usually not more than 180 days but it can be anything in between (Seyoum 2000).

On the other hand there is Letter of Credit that can be issued at sight when all the documents are seen and approved. The payment is made on sight upon delivery of the goods to the importer and there is no extended credit time. When all the necessary documents are verified, the importer's bank can proceed to process the payment to the exporter. Letter of Credit are issued by different banks in Finland. As an importer it is only necessary to approach own bank which will assist in processing the documents

and instruct on how best to work with it. Using the Letter of Credit is to an advantage to the importer as it gives the importer more credit time before paying for the goods. In other ways it also makes it possible to ascertain that the payment is made only after the goods are delivered. The conditions are also as negotiated and agreed with the exporter and hence working to the advantage of the importer. It is also important for an importer to know whether the used Letter of Credit is irrevocable or not. (How to Export Import 2014)

When making payment it is also important for an importer to take care of foreign exchange fluctuation. This is important in the sense that currency fluctuation can lead to financial losses to either of the parties. The importer should decide which currency to work with, in this case, if it is the Kenya shillings (Ksh) or the Euro. By deciding which currency to price the goods on (whether it's in Euros or shillings), it will be best for the importer because the importer does not need to think about currency fluctuation. By keeping track on how much the Euro and the Ksh fluctuates it will enable the importer to be certain before getting into pricing blindly. Currently the exchange rate stands at 1 Euro = 133.365247 Kenyan shillings (Business Info 2014).

3.6 Costs and Pricing

When it comes to calculating the costing of the products it is good to put into consideration all the costs involved while purchasing the products, transportation costs, insurance and the VAT that the specific products attracts. In this case, I have presented an example of calculation for coffee beans, the transportation cost and insurance and the VAT of the same products. At the end there will be a price margin on all the cost incurred in order to determine what will be the price of container full of coffee beans.

Suppliers cost = 112.5(per unit/50kg bag)

Container full cost = 112.5×160 (the amount of bags in a container full)

= 18,000 euros

= 18,000 + 2150 (transportation cost)

= 20,150 + 2400 Euros (insurance)

CIF at the Finnish border = 18,000 + 2,400 + 2,150

= 22,550 + the vat 14%

= $0.14 \times 22,550 = 3,157$ (vat)

Total cost = 25,707

Selling price (own import costs) + 40% margin

= $0.4 \times 25,707$

= 10,282.8 Euros (selling price of a container full)

This example can also be applied to other products of different amounts. This can be used as a template to arrive at pricing for different products that the commissioner might decide to import from Kenya.

4 CONCLUSIONS

4.1 Summary of Main Findings

The general import process described in this thesis consists of many different players both in sourcing and handling the products from Kenya all through to the Finnish market. The ones I focused on are the companies that were found to have a history of being careful when it comes to sustainability and ecological issues in production and handling. I also focused specifically on two categories of products: tea leaves and coffee beans. Actors included followed international standards when it comes to how the products are produced. For example, the production processes were as stipulated by the Fairtrade organization. Though these companies are not embedded in the organization, they made sure that the information on how the products were to be produced was communicated to the farmer and followed up to when the products were harvested just to make sure that when the products got to the market they were what they were expected to be.

There are a lot of other companies dealing with the same products but most of them in their ways of operation were not so keen on sustainability. However, the chosen ones are well known companies dealing directly with the local farmers, taking care of the individual farmer remuneration, well-being and were very keen on production techniques and handling their products through to the market. There were also Fairtrade producers and though the organization is not so developed in Kenya, the ones who were not part of the Fairtrade organization at least took the initiative of sustainability and ecological impacts of each of their operations.

The method of transportation used to import the raw materials to Finland were also chosen by taking sustainability into account while shipping products from Kenya to Finland. I also chose the available routes taken by the ship while on transit carefully, taking into consideration that environmental pollution was minimal in terms of the time taken and the type of carrier used. There could have been other ways to transport the product, such as using an airfreight or using road from Kenya to northern Africa then having it shipped by sea, but these are not very sustainable ways of shipping the products and hence the reason for choosing the shipping by sea by using optimized routes.

When it comes to sourcing of the products there are other different ways to get to source for the raw materials. Kenyan coffee beans, dry spices and tea leaves can even be bought online by sourcing them from different suppliers, but this is not the recommended way since the commissioner will not be able to know what the business practices are when it comes to being sustainable or ecological of these suppliers. That makes it critical that the commissioner get to use the companies that she knows about and is certain that their mode of operation is compatible to what she is looking for.

4.2 Implications for the Commissioner

When it comes to choosing the trade partners in international trade it is mandatory that one has to be very keen on the trading partners you chose in order to have a sound and a lasting trade relationship between the traders. The main factor to be considered in this case is the credibility of the suppliers and trade intermediaries to be used. There might be differences in trading culture between Kenya and Finland but none the less a sound, ethical business relationship is all that is advocated by both countries.

The suppliers of the products considered in this research are all based in Kenya and hence the need to use the trusted suppliers that are sure of delivering the products to the importer as agreed by both the importer and the suppliers. It is recommended for a small scale importer or rather anyone new to the importation of these products to use the Sacco. The coffee producing Sacco and cooperatives are very organized and have a history of a working system in the tea and coffee industries. This is because the big individual companies working in the same sectors are so much into the big business that they will not struggle much when it comes to dealing with individual small scale importers.

There are many different Sacco and cooperatives in Kenya formed with an aim of helping the importers and the producers to meet their goals. On the other hand, when it comes to trading in coffee the best body to use and make sure one gets the better suppliers and intermediaries is the Kenya Coffee Networks. This body has a daily update on what is happening on the market and also links the suppliers to the importers. They are keen on sustainability and ecological issues compared to other small organizations which only focuses on selling the products.

The Kenya Tea Development Agency also has a program that it uses to link up the suppliers and importers which could be recommended to the commissioner since there is a profile of all the suppliers and the previous importers who have used them. This will lead the importer to make sound judgment when deciding on what suppliers to use. The recommended method of transportation and carrier to be used after considering many options could be Maersk. This is because despite higher costs cost, they had the ability to optimize the routes. Since sustainability is an important issue for the commissioner, with this shipping line, there is an ability to choose the route taken and the time taken for the goods to reach its destination, which proved to be more sustainable and ecological in terms of Co2 emission. When it comes to tea most of these recommendations are still valid including the use of Sacco and cooperatives. Specifically for importing tea, companies like Sasini Tea which deal with production and supply of tea and are focused on small scale importers could also be recommended.

4.3 Suggestions for Further Research and Development Based on the Evaluation of the Own Study

The purpose of this thesis was to research whether it is possible to establish an import business between Kenya and Finland. There were very many challenging areas. To mention but a few, one of them was the difficulty in having reliable sources of information on the suppliers from Kenya and how to critically profile them in order to have the one that could be appropriate for the commissioner. Despite the fact that there is so much information available in the Internet, most of it was not so helpful or reliable.

Due to the nature of the research project, it was also not possible to collect primary sources of information such as Finnish consumers' opinion of the Kenyan products in the market. It could also have been possible to conduct surveys to find out the needs and attitudes of Finnish consumers or importers about the Kenyan products. Most of the information on the import procedures here in Finland was retrieved from the website of the Customs Department which was largely in Finnish and hence a challenge in correctly understanding the information. When it comes to issues regarding the processes involved in importing, there was a lot to be learned in terms of the procedures and the regulations put in place. It was clear that trade between Finland and Kenya could be further developed for the benefit of both countries. There was clearly a wide range of products in the Kenyan market that could be imported to the Finnish market and vice versa, it was clear that with a proper business plan and clear cost reduction techniques, one could easily establish a profitable business whether importing or exporting from both countries.

The dynamics of the import regulation was also a matter of great importance since it was noted that it changed very often. The regulation on agricultural products is a critical issue and it is being reviewed frequently and hence the need of every importer to be up-to-date on these regulations. There is also a need for further studies on the reasons for different import regulations on agricultural products specifically in trade between Kenya and the EU. The information related to prohibited agricultural products in the EU market was also difficult to find and not at all clear. However, it seems really obvious that organic market is gradually developing and any trader who does not have the organic banner should clearly think about strategies related to this developing market.

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